



TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
TWO YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-102
October 27, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

October 1999

The following problems, discovered as result of our office's most recent two year audit of the Twenty-First Judicial Circuit's Municipal Division in the Village of Hanley Hills.

The Court Clerk, Village Clerk, and Deputy Village Clerk each have the authority to receive fine and court cost payments, issue receipt slips, record payments on the village's computerized accounting system and enter receipts into the cash register.

The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. In addition, there is no reconciliation of receipt slips to the computer reports or cash register entries and the composition of receipts per those records is not reconciled to deposits. There were several instances noted in which payments indicated on the cash register tape did not agree with deposit slips prepared by the Village Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded.

The municipal division does not account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the municipal division cannot be assured all tickets issued are properly processed.

The municipal division did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol.

YELLOW SHEET

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
Hanley Hills, Missouri

We have audited the accompanying special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998. This special-purpose financial statement is the responsibility of the municipal division's management. Our responsibility is to express an opinion on this special-purpose financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

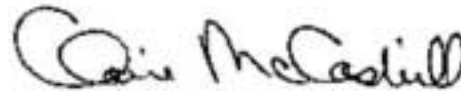
The accompanying special-purpose financial statement was prepared for the purpose of presenting the receipts, disbursements, and changes in cash of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and is not intended to be a complete presentation of the financial position and results of operations of the municipal division.

In our opinion, the special-purpose financial statement referred to in the first paragraph presents fairly, in all material respects, the receipts, disbursements, and changes in cash of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

The village of Hanley Hills Municipal Division has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the municipal division is or will become year 2000-compliant, that the municipal division's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the municipal division does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 11, 1999, on our consideration of the municipal division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statement referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
Hanley Hills, Missouri

We have audited the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit is free of material misstatement, we performed tests of the municipal division's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain other instances of noncompliance which are presented in the accompanying Management Advisory Report.

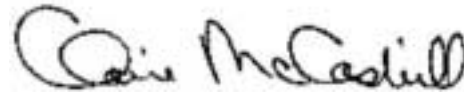
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit, we considered the municipal division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters

involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the municipal division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statement.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses, and these matters are presented in the accompanying Management Advisory Report.

This report is intended for the information of the management of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 11, 1999 (fieldwork completion date)

Financial Statement

Exhibit

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	Year Ended June 30,	
	1999	1998
RECEIPTS		
Fines, costs, bonds, and other	\$ 87,983	89,441
Total Receipts	87,983	89,441
DISBURSEMENTS		
Village treasury	86,195	86,871
State of Missouri (Note 3)	0	0
Refunds and other	2,413	2,786
Total Disbursements	88,608	89,657
RECEIPTS OVER (UNDER) DISBURSEMENTS	-625	-216
CASH, JULY 1	3,604	3,820
CASH, JUNE 30	\$ 2,979	3,604

The accompanying Notes to the Financial Statement are an integral part of this statement.

Notes to the Financial Statement

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
NOTES TO THE FINANCIAL STATEMENT

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statement presents only selected data for the funds administered by the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit of the state of Missouri.

Receipts, disbursements, and changes in cash are presented for the municipal division. The operating costs of the division are paid by the village of Hanley Hills and are not included in the financial statement.

The municipal division is responsible for cash bonds posted until case disposition allows appropriate disbursement. Bond monies relating to pending cases in the custody of the municipal division are included in the financial statement.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash is prepared on the cash basis of accounting; accordingly, amounts are recognized when they are received or disbursed. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The municipal division accounts for fines and court costs resulting from prosecution of violations of municipal ordinances before the municipal judge or received through the traffic violations bureau, as well as cash bonds posted. Municipal violations could include traffic offenses, both moving and nonmoving; parking offenses; and other violations for which amounts are received by the municipal division and remitted to the village treasury. The municipal division also may account for restitutions received and disbursed through the division.

2. Cash

Section 479.080, RSMo 1994, requires municipal divisions to deposit fines and court costs into the village treasury at least monthly. The division does not maintain a bank account,

transmitting fines and court costs directly to the village treasury. A separate escrow bank account for bond monies received is maintained by the municipal division.

At June 30, 1999 and 1998, bank account balances reported for the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit were entirely covered by federal depository insurance.

3. Disbursements to State

The municipal division collects various amounts that must be remitted to the state of Missouri. These amounts include the judgement for the Motorcycle Safety Trust Fund; the surcharges for the Crime Victims' Compensation and Services to Victims Funds; and the Peace Officer Standards and Training Commission Fund. The state's portion of these amounts are deposited into the village treasury. Amounts remitted by the village to the state are not included in the financial statement.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statement of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 11, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the municipal division's special-purpose financial statement. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1.	Accounting Controls and Procedures
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The Court Clerk, Village Clerk, and Deputy Village Clerk each have the authority to receive fine and court cost payments, issue receipt slips on the court's one-write system, record payments on the village's computerized accounting system and enter receipts into the cash register. The Village Clerk is responsible for reconciling receipts recorded on the village's computerized accounting system to the cash register tape, counting the money, and preparing and transmitting deposits to the bank. In addition, the Court Clerk records fine and court cost payments on the **court** computer system from the one-write receipt slips issued. The Court Clerk also receipts and records all bond collections and transmits bond money daily to the Village Clerk for deposit. During our review, we noted the following concerns:

- A. The duties of receiving, recording, and depositing monies collected by the municipal division are not adequately segregated. In addition, there is no reconciliation of one-write receipt slips to the computer reports or cash register entries and the composition of receipts per those records is not reconciled to the composition of deposits. There were several instances noted in which the composition of payments indicated on the cash register tape did not agree to the deposit slips prepared by the Village Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing court monies from that of recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between the various cash receipt records and deposits.

- B. The Court Clerk accounts for the numerical sequence of one-write receipt slips issued, but several receipts shown as voided were not retained to assist in documenting the receipt slips issued.

All voided receipt slips should be retained to help ensure monies are properly handled and recorded.

- C. Checks and money orders received by the Village Clerks and the Court Clerk for payments of fines and court costs are not endorsed until the bank deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. Formal bank reconciliations are not prepared for the municipal division's bond account and a checkbook balance is not maintained. In addition, the monthly listings of open items are not reconciled to the bank and book balances.

To ensure all differences between the bank and book balances are noted in a timely manner, formal bank reconciliations should be performed monthly and a running balance should be maintained in the checkbook register. In addition, monthly listings of open items should be reconciled to the bank and book balances to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient to meet liabilities.

- E. The Deputy Village Clerk helps collect court monies at the Traffic Violations Bureau (TVB) and during court on court nights. However, she is not covered by the employee bond which covers the Village Clerk and the Court Clerk. Failure to properly bond all persons with access to assets exposes the municipal division and the village to risk of loss.

Conditions A., D., and E. were also noted in our prior report.

WE RECOMMEND the municipal division:

- A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person, including reconciling receipts recorded to deposits.
- B. Ensure all voided receipt slips are retained and accounted for properly.
- C. Restrictively endorse all checks and money orders immediately upon receipt.
- D. Perform and document monthly bank reconciliations for the bond account. In addition, the bond account should be reconciled monthly to the open items listing.

- E. Request the village obtain adequate bond coverage for the Deputy Village Clerk.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

A,B,
&E. *We will work with the Village to implement these recommendations in their entirety.*

C. *We are now in compliance with this recommendation.*

D. *We will implement this recommendation in its entirety.*

The Village Treasurer responded:

E. *The position of Deputy Village Clerk is currently vacant. When the position is filled, the position will be bonded.*

2. Ticket Accountability

- A. The municipal division does not account for the numerical sequence and ultimate disposition of traffic tickets and summonses issued. The municipal division contracts with the St. Louis County Police Department for police services. The court maintains a log of summonses assigned by the court to officers. In addition, records listing each summons issued are maintained; however these records are not reviewed to account for the numerical sequence of summonses issued and are not reconciled to the assignment log to ensure all summonses issued are entered into the computer system for inclusion on the docket.

In addition, traffic tickets are assigned to officers by the St. Louis County Police Department who accounts for the tickets issued. There is not a specific sequence of tickets assigned to the village of Hanley Hills. The municipal division does not receive a listing of issued tickets from the St. Louis County Police Department to reconcile to tickets entered onto the court's computerized docketing system.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the municipal division cannot be assured all tickets issued are properly processed. Properly reconciled logs and listings of issued tickets would ensure accountability of all tickets as well as the ultimate disposition of each document.

- B. The municipal division did not always forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). In August 1999, we reviewed 60 tickets issued during the two years ended June 30, 1999; 2 of the 6 tickets which should have been filed with the MSHP had not been filed. Section

302.225, RSMo 1994, requires records of any pleas or findings of guilty on traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

WE RECOMMEND the municipal division:

- A. Account for the numerical sequence and ultimate disposition of all summonses assigned and issued. In addition, periodically request a list of traffic tickets issued by the St. Louis County Police Department for the village and reconcile the listing to tickets entered into the court's computer system.
- B. Ensure all records of convictions on traffic offenses are forwarded to the MSHP as required by state law.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk responded:

- A. *Summonses will be accounted for now. With the proviso that we would only be responsible for the tickets the officers provide to us, we will comply with the recommendation regarding reconciliation of tickets if the police department provides the list for comparison.*
- B. *We are now in compliance with this recommendation.*

3. Traffic Violations Bureau

The municipal division operates a TVB that allows certain offenses to be paid prior to the court date. However, a court order has not been issued by the Municipal Judge to formally establish the TVB. Section 479.050, RSMo 1994, states that a TVB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the TVB by court order and to designate a TVB clerk.

This condition was noted in our prior report.

WE AGAIN RECOMMEND the municipal division prepare a court order to authorize the establishment of a TVB.

AUDITEE'S RESPONSE

The Municipal Judge responded that the court order will be issued.

This report is intended for the information of the management of the village of Hanley Hills Municipal Division of the Twenty-First Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
FOLLOW UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the village of Hanley Hills Municipal Division on recommendations made in the Management Advisory Report (MAR) of our report on the Twenty-First Judicial Circuit Municipal Divisions issued for the two years ended June 30, 1994. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the municipal division should consider implementing these recommendations.

Village of Hanley Hills Municipal Division

- A. The duties of receiving, recording, and depositing monies were not adequately segregated.
- B.1. Receipt slips were not issued for bond monies received from the St. Louis County Police Department and other courts.
 - 2. Bond receipts were not deposited in the court's bank account on a timely basis.
 - 3. Monthly listings of open items were not prepared.
- C. Crime Victim's Compensation fund (CVC) fees were not remitted to the state on a timely basis.
- D. The Deputy Village Clerk helped collect court money at the TVB; however, she was not covered by the employee bond.
- E. The Municipal Judge did not sign the docket after dispositions were recorded.
- F. The Municipal Judge had not issued a court order to formally establish the TVB.

Recommendations:

The village of Hanley Hills Municipal Division:

- A. Adequately segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Issue prenumbered receipt slips for all bond monies received and account for the numerical sequence.
 - 2. Deposit bond receipts daily or when accumulated receipts exceed \$100.
 - 3. Prepare monthly listings of open items and reconcile the listing to the balance in the bank

- account.
- C. Properly remit CVC fees to the state in accordance with state law.
- D. Request the village obtain adequate bond coverage for the Deputy Village Clerk.
- E. Require the Judge's signature on the court dockets.
- F. Issue a court order to formally establish the TVB.

Status:

- A. Not implemented. See MAR No. 1.
- B.1,
C&E. Implemented.
- B.2. Partially implemented. The Court Clerk transmits bond monies daily when received to the Village Clerk. However, the Village Clerk does not deposit the bonds to the bank account on a daily basis. Although not repeated in the current MAR, the village should consider fully implementing this recommendation.
- B.3. Partially implemented. The current Court Clerk has prepared open items listings monthly since she was employed in December 1998. The prior Court Clerk appears to have periodically generated open items listings also. The current Court Clerk is now working to reconcile the listings to the bank and book balances. See MAR No. 1.
- D. Not implemented. See MAR No. 1.
- F. Not implemented. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TWENTY-FIRST JUDICIAL CIRCUIT
VILLAGE OF HANLEY HILLS, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

The village of Hanley Hills Municipal Division is one of approximately eighty-five municipal divisions within the Twenty-First Judicial Circuit, which is composed of St. Louis County. The Honorable Robert S. Cohen serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994, and by Supreme Court Rule No. 37 titled "Ordinance Violations and Traffic Violations Bureau (TVB)." Section 479.050, RSMo 1994, provides that each municipal division may establish a TVB in which fines and costs are collected at times other than during court and transmitted to the village treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the village of Hanley Hills.

Organization

The Court Clerk is responsible for recording transactions as well as handling collections and disbursements. The St. Louis County Police Department collects bond monies for the village of Hanley Hills. The St. Louis County Police Department deposits bond monies in an account and then writes and mails a check to village of Hanley Hills Municipal Division. Fines and court costs are transmitted directly to the Village Clerk daily for deposit to the village treasury. Bond monies are deposited in a municipal division bank account pending disposition. Court is held twice a month. Although it has not been formally established, a TVB receives payments of fines and court costs at times other than during court.

Personnel

Municipal Judge	Steven Clark
Court Clerk*	Jenny House

*Jessica Sloan-McCoy served as Court Clerk prior to September 1998. The position of court clerk was vacant from September 1998 until December 22, 1998, when Jenny House was appointed.

Caseload Information

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
Number of cases filed	2,044	2,200